

The Corporation of the Town of Lakeshore

Report to Council

Engineering & Infrastructure Services

Environmental Services



To: Mayor & Members of Council

From: Albert Dionne, C.E.T.
Manager, Environmental Services

Date: July 6, 2020

Subject: Water Financial Plan under Ontario Regulation 453/07 of Safe Drinking Water Act

Recommendations

The Water Financial Plan (attached) prepared by Watson & Associates Economists Ltd. dated June 30, 2020 as required by Ontario Regulation 453/07 be approved, as presented at the July 14, 2020 Council meeting.

Background

Ontario Regulation 453/07 of the *Safe Drinking Water Act* requires all Ontario municipalities that provide water services to prepare financial plans as a key step in the long-term stability for municipal residential drinking water systems. A summary of the key required elements of all plans are:

1. All municipal drinking water systems are required to prepare and submit financial plans. The regulations set out the minimum required content but allow municipalities to vary their approach to preparing their plans to suit local needs.
2. Financial plans must be developed for a minimum six-year period but we extended two more years and went to an eight year plan which must contain details of the financial position, financial operations and cash flow. The plans are required to be approved by a resolution of municipal council.
3. The financial plans shall be required as a condition of the system's drinking water license. The license requires the financial plan to be submitted six months before the license expires, which is December 5, 2020.
4. The financial plans must be made available to users of the water system and updated in conjunction with every application to renew a system's drinking water license.

In 2017 the Town completed an updated Water/Waste Water Master Plan. With the updated Master Plan, a revised rate study was needed to update the various assumptions and significant capital projects that were identified in the Master Plan. The Town engaged Watson and Associates Economists Limited to assist in the completion of the Water and Waste Water Rate Study.

Comments

Administration brought a report to council February 5, 2019 for the Water and Waste Water Rate Study. This study covered a five year period from 2018 to 2023. The recommended annual water rates for the five years are shown below in Table 2. These marginal increases are reflective of the Town's efforts in funding and maintaining the water distribution systems and water treatment facilities. In addition, through an expedited cast iron replacement program the Town has decreased costs to maintain existing infrastructure as identified in the Town's Asset Management Plan.

Table 2: Water Rate Increases

	2018	2019	2020	2021	2022	2023
Base	\$20.01	\$20.21	\$20.41	\$20.61	\$20.82	\$21.03
Consumption	\$1.48	\$1.50	\$1.52	\$1.54	\$1.56	\$1.58

This is the rate study that Watson & Associates Economists Ltd. used with the asset management and the other components to make the new water financial plan for 2020. The new financial plan covers from 2020 to 2028.

Administration has prepared the financial plan based on 8 year horizon rather than the minimum six years to allow for a broader vision and to better assist the Town with long term capital planning. Council should keep in mind that these are forecast numbers and will be revisited annually as part of the budget process.

The highlights of the plan are as follows:

1. The Town will be in a net debt position until the year 2029 until the current water plant debt is repaid.
2. Forecasted water consumption is based on current numbers taking into account conservation measures and efficiencies with new infrastructure as well as slight increases resulting from projected growth estimates.
3. Total outstanding debt for the water treatment plant is just over \$9,400,000 in 2020. The annual payment is slightly over \$1,000,000 and will be paid by the end of 2028. The Town will be considering \$11,500,000 of debt in 2026 to install a new trunk water main that will run from Belle River to Stoney Point Water Treatment Plant. Once completed the existing plant will be turned into a reservoir and booster pump station. This will achieve double the supply to 9,090 m³/day.

4. Significant funds are owed from development charges. Any money received for development charges from new building permits is treated as “revenue” to the operating fund as a repayment of the long term debt paid.
5. The forecast includes a moderate rate increase of 1% annually as per the 2019 rate study

Based on the forecast, moderate increases, largely for inflation, can accommodate continued operations, which include debt repayment and some capital replacements and upgrades. The extent of further capital is dependent upon growth and the repayment from development charges.

Financial Impacts

There are no budget impacts resulting from the recommendation.

Attachment: Town of Lakeshore Water Financial Plan

Report Approval Details

Document Title:	Water Financial Plan.docx
Attachments:	- FP Report.pdf
Final Approval Date:	Jul 8, 2020

This report and all of its attachments were approved and signed as outlined below:

Rosanna Pellerito

Kristen Newman

Tammie Ryall